



SECTION BY SECTION

House Committee on Education and Labor

Chairman Robert C. "Bobby" Scott

Community Services Block Grant Modernization Act of 2022 (H.R. 5129)

Amendment in the Nature of a Substitute

Section 1. Short Title

This section states that the title of the bill is the *Community Services Block Grant Modernization Act of 2022*.

Section 2. Reauthorization

This section states that the bill amends subtitle B of title VI of the *Omnibus Budget Reconciliation Act of 1981* (the *Community Services Block Grant Act*). This section replaces all of the sections under title VI of the *Omnibus Budget Reconciliation Act of 1981* with the following sections:

Section 671. Short Title

This section states that the Act may be cited as the *Community Services Block Grant Act*.

Section 672. Purposes

The section outlines the purposes of the Act: to reduce poverty by supporting activities of community action agencies and other community services network organizations that improve economic security of low-income individuals and families and create new economic opportunities in their communities; and to accomplish these purposes by strengthening community capabilities to identify and alleviate poverty conditions ; empowering residents of low-income communities to respond to community needs through maximum feasible participation in activities under the Act; using innovative community-based approaches that produce a measurable impact on poverty, including whole family approaches; coordinating public and private resources related to reduction of poverty; and broadening resources directed to elimination of poverty to promote partnerships among private and public individuals and organizations.

Section 673. Definitions

This section makes changes to the definitions of the terms "Poverty Line" and "Private Nonprofit Organization"; adds the definitions of "Agency-wide Strategic Plan," "Community Action Agency," "Community Action Plan," "Community Services Network Organization," "Evidence-Based Practice," "Grantee," "Service Area," and "Tribal Grantee"; preserves the definitions of "Eligible Entity," "Secretary," and "State"; and deletes the definition of "Family Literacy Services."

Section 674. Authorization of Community Services Block Grant Program

This section authorizes the Secretary to carry out the Community Services Block Grant (CSBG) and make grants to states and territories to support local community action plans and carry out discretionary community programs under section 690.

Section 675. Grants to Territories

This section requires the Secretary to apportion the amount reserved for territories each year for half of one percent of the total allocated amount on the basis of need among Guam, American Samoa, the U.S.

Virgin Islands, and Commonwealth of the Northern Mariana Islands. The Secretary shall make a grant to each territory for the apportioned amount. The section further requires that the Secretary apportion funds to territories based on the most recent applicable Census data accounting for poverty and requires that the Secretary publicly publish plans on how funds are apportioned among territories.

Section 676. Allotments and Grants to States

This section requires the Secretary, from appropriations remaining after reservations for territories and certain federal activities, to make allotments to each eligible state (including Puerto Rico), based on the relative amount each state received in FY1981 under the former *Economic Opportunity Act of 1964*. Additionally, the section updates the minimum state allotment, allowing it to increase from one half of one percent to $\frac{3}{4}$ of one percent if the appropriated amount available for state allotments exceeds \$900 million after reservations for territories, training and technical assistance, the Community Action Innovations Fund, and the electronic data system. This section further requires the Secretary to make grants to eligible states for these allotments and to make payments for grants in accordance with 31 U.S.C. 6503(a). Lastly, the section requires the Secretary to allocate amounts on a quarterly basis at a minimum, notify states of their allocations, make each state's first allocation of the fiscal year available for expenditure no later than 30 days after receipt of the apportionment from the Office of Management and Budget, and, for subsequent funds in the fiscal year, make funds available to states no later than 30 days after the start of the period for which the Secretary is allocating funds. For purposes of this section, "State" does not include Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

Section 677. Payments to Indian Tribes

This section includes definitions for indigenous tribes including "Indian" and "Indian Tribe or Tribal Organization" and requires the Secretary to award funds that would otherwise be allotted to a state directly to an Indian tribe or Tribal organization upon request if the Secretary finds that Tribal members would be better served. The section further provides that the amount reserved must be based on the size of the Indian Tribe's or Tribal Organization's population of eligible Indians as a proportion of all eligible individuals in the state. To be eligible to receive a grant, the section requires that an Indian Tribe or Tribal organization submit a plan for the Secretary's approval. The section also provides that the Secretary may implement an alternative performance requirement for Tribal implementation of the requirements of section 686(a).

Section 678. State Plans

This section requires that for a state to receive a grant, the chief executive officer must designate a lead agency that will be authorized to convene state agencies and coordinate information and activities under the Act; develop the state plan, based primarily on community action plans of eligible entities in the state; modify an existing state plan for submission to the Secretary if considered a major revision; hold at least one public hearing and a legislative hearing, at least once every three years, on the plan and proposed major revisions. In this this section, the term "State" includes Guam, American Samoa, the U.S. Virgin Islands, the Commonwealth of the Northern Mariana Islands, and Puerto Rico.

This section further outlines the state application process and plan requirements. States must submit a state plan covering no more than two fiscal years to the Secretary for approval no later than 60 days before the beginning of the first fiscal year covered by the plan. Plans must include: how funds under the Act will be used; a description summarizing community action plans; an assurance that the state and eligible entities in the state will participate in a performance measurement system; plans for oversight of eligible entities; an assurance that the state will pay eligible entities as outlined by the Act's requirements; an assurance that an eligible entity's funding will not be reduced, eliminated, or its designation as an eligible

entity terminated, except under procedures specified in the Act for cause; assurance of procedures for low-income individuals or organizations to petition for adequate representation on an entity's board; an assurance that the state will develop policies on board vacancies; and a description of outcome measures.

This section also requires the Secretary to notify states of their application status within 60 days of receipt and provide notice of approval, disapproval, or partial approval. If plans are disapproved or partially disapproved, the Secretary must describe changes necessary for approval. The section also allows the Secretary to award funding directly to eligible entities if the state plan is not approved by the end of the third month covered by the plan. The section also sets forth requirements for the eligible entity application: each eligible entity application to the state must include a community action plan, based on the needs identified in the community needs assessment, covering no more than two fiscal years. The section further provides that the application must describe how the entity will implement activities and demonstrate how these activities will meet identified in the latest comprehensive community needs assessment conducted in the previous three years and achieve purposes of the Act.

Section 679. State and Local Uses of Funds

This section mandates that states distribute at least 90 percent of their allotments as subgrants to eligible entities. It further requires that states obligate funds for subgrants and make funds available for expenditure by eligible entities no later than 30 days after the state receives notice of funding availability from the Secretary. This requirement applies to both the first allocation of funds and any subsequent allocations. The section allows states to request an exception from the Secretary from the obligation requirements in circumstances where funds are appropriated for less than a full fiscal year (e.g., continuing resolution).

Additionally, this section authorizes states to use remaining block grant funds for administrative expenses and training and technical assistance but caps administrative spending at five percent of the state's block grant. This section also requires that eligible entities use subgrants to provide low-income individuals and families with poverty reducing services and opportunities through private and public partnerships, relationships to avoid duplication of services, and community investment.

The section also requires that 200 percent of the poverty line as defined be used as the eligibility criterion for assistance provided directly to individuals who receive services under the Act. The section further authorizes states or a Tribal grantee to establish procedures to allow a participant to remain eligible, regardless of income criteria used to determine initial eligibility, to continue receiving services if they are successfully progressing toward the goals of a program, project, or service under the Act.

Section 680. Eligible Entities and Tripartite Boards

This section provides for the designation, re-designation, and interim designation of eligible entities in unserved areas. In such circumstances, the section authorizes the state lead agency, in consultation with stakeholders, to designate a new community action agency that is an existing private nonprofit community action agency located near the unserved area. If no entity meeting all requirements for designation as a permanent eligible entity is available, the state may designate a private nonprofit agency (or public agency if a private nonprofit is not available) on an interim basis for no more than one year while the state seeks to identify a permanent entity.

The section also provides for the merger, combination, or privatization of existing eligible entities. If two or more entities find their service areas can be more effectively served under a single agency or if a public entity finds it would be more effective as a private nonprofit, the section requires the state to assist in the

development of a plan to implement the merger. The section further provides that a state may establish requirements for merger, combination, and privatization plans and for making its determination of the capability of a merged, combined, or privatized agency.

The section also lays out the governing structure for private nonprofit and public eligible entities including the requirements, composition, and duties of their respective tripartite boards. The section requires that private nonprofit eligible entities be governed by a tripartite board that is composed so that one-third of board members are elected public officials or their representatives, at least one-third are democratically selected representatives of the low-income community, and reside in the area, if members are chosen to represent a specific area, the remaining board members may represent significant groups and interests in the community. This section provides those public eligible entities must ensure that their programs are under supervision of a tripartite board, of which no more than one-third of members may be local government employees or officials, including elected officials; no fewer than one-third must be democratically selected representatives of the low-income community that reside in the area; and remaining members may represent groups and interests in the community. This section further specifies that board members must be provided resources including access to individuals with expertise in financial management, accounting, and law. The section further requires that private agency boards operate in compliance with federal tax-exempt requirements and applicable state laws and that public agency boards comply with state requirements for open meetings, financial transparency, and open records. The section clarifies that the federal government nor a state or local government shall require a religious organization to alter its form of internal governance except to meet the tripartite board requirements in the administration of CSBG. The section also requires that board vacancies be filled within six months, or the eligible entity can request an additional six months from the state if they certify that it is making an effort to fill the seat.

The section additionally specifies the operations and duties of tripartite boards. The section requires that boards have legal and financial responsibility for administration and oversight (for private nonprofit entities); establish officer terms and a code of ethics; participate in community needs assessments, develop and adopt an agency-wide strategic plan, and prepare the community action plan; approve the operating budget; review major policies, including conducting (for private nonprofits) or participating in (for public agencies) performance reviews of the chief executive officer; assess progress in carrying out the community action plan and taking any corrective action; and adopt (for private nonprofits) or review (for public agencies) personnel policies and procedures.

Section 681. Office of Community Services

This section establishes the Office of Community Services in the Department of Health and Human Services, to be headed by a Director, and requires the Secretary, acting through the Director, to carry out the Act through grants, contracts, or cooperative agreements.

Section 682. Training, Technical Assistance, and Related Activities

This section requires the Secretary to use funds reserved, two percent of total block grant appropriations, for training, technical assistance, planning, evaluation, and performance measurement. Specifically, these funds must be used to help states, eligible entities, Tribal grantees, and other community services network organizations in: building and using evidence of effectiveness in reducing poverty conditions, including information about evidence-based initiatives in connection with the Community Action Innovations Program; carrying out professional development activities to expand the capacity of eligible entities and Tribal grantees; carrying out performance management, reporting, and data collection activities; and correcting programmatic deficiencies. No less than half of the two percent of total funds must be

distributed directly to specified entities for: professional development of key personnel; activities to improve program quality, financial management, compliance, and government practices; training for staff and board members to effectively address the needs of low-income families and communities; and training in building and using evidence of effectiveness in reducing poverty conditions and activities that support the Community Action Innovations Program. Specified entities eligible for these grants include eligible entities, Tribal grantees, and other community services network organizations with demonstrated expertise in providing training on methods of effectively addressing the needs of low-income families and communities. This section also directs the Secretary to use one percent of total funds reserved for a Community Action Innovations Program by awarding grants, contracts, or cooperative agreements to entities defined in the Act in order to facilitate innovation, expansion, replication, use, and dissemination of evidence-based practices, including through whole family approaches, to reduce poverty conditions.

Section 683. State Monitoring of Eligible Entities

This section requires states to review eligible entities to determine if they meet performance goals, administrative standards, financial management requirements, and other requirements under the Act. States must conduct: a full on-site review of each eligible entity at least once every three years; an on-site review of each newly designated eligible entity immediately after its first year of receiving funds under the Act; follow-up reviews within a calendar quarter for entities that fail to meet state criteria or the Act's requirements; and other reviews as appropriate. The section also allows remote reviews if approved by the Secretary.

Section 684. Evaluations; Corrective Action; Reduction or Elimination of Funding

This section requires the Secretary to conduct evaluations of state compliance with the Act in no fewer than 1/5 of states each year and make the evaluations, including any recommendation for improvements, publicly available on the Department's website. In the event a serious deficiency is found as part of an assessment, the Secretary must propose a corrective action plan. Within 45 days of receiving the Secretary's report containing recommendations, states must submit to the Secretary and make publicly available on the State lead agency's website a plan of action in response to any recommendations for which the Secretary must provide training and technical assistance. In cases where a state receives a corrective action plan from the Secretary, the state shall agree to implement such plan or propose a different corrective action plan approved by the Secretary. After a final determination of a state's failure to comply and after giving notice and opportunity for a hearing, the Secretary may begin proceedings to reduce or eliminate the state's block grant funding and must award the funding directly to eligible entities in the state if the funding for the state is reduced. The Secretary also may award funding directly to eligible entities in the state and, for statewide activities, to community services network organizations in the state if a state fails to meet the requirements of the Act or if the state plan is not approved by the end of the third month of the period covered by the plan.

The section sets out similar processes for state review of and possible reduction or elimination of funding for eligible entities and their designation as such. The state must provide documentation of its decision to reduce, withhold, or terminate funding in a timely manner defined by the Secretary and provide technical assistance to the eligible entity for the corrective action and approve of such plan. The section authorizes the Secretary to review the state's decision to reduce or eliminate funding or terminate an eligible entity's designation in the case of a finding of a serious deficiency and requires the Secretary to do so upon request by a community services network organization, which must be completed within 60 days after the Secretary receives necessary documentation from a state. After this review, the Secretary may award funds directly to the affected entity if the state violates required procedures. If the Secretary finds that a state violated

its state plan, the Secretary shall award funds directly to the effected entity until the violation is corrected by the state.

Section 685. State and Local Fiscal Controls and Audits

This section requires states to establish necessary fiscal control and fund accounting procedures, ensure that cost and accounting standards of the Office of Management and Budget (OMB) apply to eligible entities, prepare an audit of expenditures under the Act at least once a year, and make appropriate records available to the Secretary and Comptroller General of the United States. This section also requires the Secretary to investigate and to respond to substantial or serious complaints about the use of funds or activities conducted by states. If the Secretary finds that a state has not used the funds in accordance with the subtitle, the Secretary is authorized to withhold funds from a state under this subtitle until the state remedies the improperly expended.

Section 686. Accountability and Reporting Requirements

This section requires states to participate and ensure participation by eligible entities in a results-oriented performance management system that meets the Secretary's requirements outlined in guidance. The section requires that eligible entities report to states on their performance and that the states report to the Secretary the results which must be submitted by March 31 each year. State annual reports must include: an accounting of the expenditure of funds under the Act; the number and characteristics of participants served; a summary of training and technical assistance offered by the state; information on the total budget and activities of eligible entities (including local and private resources available for CSBG purposes); and a report on results-oriented management practices.

The Secretary must provide technical assistance to states and eligible entities to enhance quality and timeliness of reports. This section also requires the Secretary to prepare a report by September 30th each year that includes information from state annual reports and the Department's performance in carrying out the Act and submit the report and any recommendations to the House Education and Labor Committee and the Senate Health, Education, Labor and Pensions Committee.

Section 687. Limitations on Use of Funds

This section prohibits using grants and subgrants for the purchase or improvement of land, buildings, or facilities, except for the Community Economic Development and Rural Community Development activities under section 690 of the Act, unless the Secretary grants a waiver, or if funds are used to improve accessibility of physical structures for individuals with disabilities. The section also prohibits funds being used on activities or programs that discriminate on the basis of race, color, national origin, or sex and applies antidiscrimination provisions of the *Age Discrimination Act*, section 504 of the *Rehabilitation Act*, and Title II of the *Americans with Disabilities Act*. This section applies the *Hatch Act* to the employees of public and private community action agencies. It also prohibits programs or employees (during work hours) from engaging in specified political activities but allows eligible entities to make their facilities available for use by a nonpartisan organization to increase the number of eligible citizens who register to vote in federal elections.

Section 688. Child Support Services and Referrals

This section requires eligible entities to inform custodial parents or legal guardians who participate in the entity's activities about child support services and to refer parents or legal guardians to state and local child support offices.

Section 689. Regulations

This section requires the Secretary to promulgate regulations implementing the Act including regulations for state and community action plans, state monitoring of eligible entities, and annual reports to the Secretary. This section also requires the Secretary to issue guidance regarding state and local performance management systems and the comprehensive community needs assessments

Section 690. Discretionary Community Programs

This section authorizes the Secretary to directly administer the Community Economic Development program, Rural Community Development Activities program, and Broadband Navigator Projects. This section further provides that activities funded under this section to be evaluated and requires a report annually on these programs to the House Education and Labor Committee and Senate Health, Education, Labor and Pensions Committee.

Section 691. Authorization of Appropriations

This section authorizes \$1 billion to be appropriated each fiscal year from FY 2023 through FY 2027 and such sums as necessary for each year from FY 2028 through FY 2032 for all activities under the Act, except Discretionary Community Programs, which is authorized for such sums as necessary for each year from FY 2023 through FY 2032. This section also requires reservations of half of one percent of total amounts appropriated for grants to territories; two percent for training, technical assistance, and related activities, half of which must be distributed directly to entities; one percent for the Community Action Innovations Program; and up to \$5 million for FY 23, FY 2024, and FY 2025 for Electronic Data System for Reports.

Section 692. References

This section provides that any reference in law to the poverty line in the *Economic Opportunity Act of 1964* shall mean the definition of poverty line as defined in the Act. The section also provides that any reference to that provision in the Community Services Block Grant, as in effect prior to enactment of this Act, shall be deemed to reference the definition of the poverty line as now defined in the Act. Lastly, the section outlines that any reference in law to any community action agency as designated under the *Economic Opportunity Act of 1964* shall be construed to be an eligible entity to receive funds under the Act.

Section 3. Transition Period

This section requires the Secretary to establish a transition period and schedule to implement any changes required by the *Community Services Block Grant Modernization Act of 2022*, which must include the availability of federal training for states and eligible entities regarding compliance with new requirements. The section requires that the transition period must end no later than three months before the start of the second fiscal year after enactment, and for issuance of final regulations implementing the subtitle, the transition period may not extend later than two years after the enactment.

Section 4. Conforming Amendments

This section makes technical conforming amendments to the *Older Americans Act*.